

HEALTH SERVICES AND DEVELOPMENT AGENCY

MINUTES

NOVEMBER 15, 2006

AGENCY MEMBERS PRESENT

Koella, Carl, III, Chair
Caldwell, Gene, M.D., Vice Chair
Atchley, Bryan
David Collier, M.D., designee for the TennCare Director
Morris, John, designee for Commissioner of Commerce and Insurance
Handorf, Charles, M.D.
Lammert, Gregory
Troy, Peggy
Weaver, Faye, designee for the Comptroller of the Treasury

AGENCY MEMBERS ABSENT

Jones, Clark

AGENCY STAFF PRESENT

Hill, Melanie, Executive Director
Bobbitt, Melissa, Administrative Services Assistant III
Brogden, Reid, General Counsel
Craighead, Alecia, Statistical Analyst III
Farber, Mark, Assistant Executive Director
Finchum, Rhonda, Administrative Services Assistant IV
Grimm, Jeff, Health Planner III
Wells, Phil, Health Planner III

GUESTS PRESENT

Anderson, Earl, Executive Director, Tennessee Orthopaedic Clinics, P.C.
Averwater, Nancy, Administration, Trinity-BMHC
Barnes, Billie, Director Case Management, University Medical Center Hospital
Benton, Tony, Mountain State Health Alliance
Blevins, Barbara, Administrator
Bone, Gordon, Director, CPC
Bone, Hal, Director, CPC
Boston, Eric, CEO, St. Barnabus Nursing Home
Brent, Michael D., Esq., Boulton, Cummings, Connors & Berry
Brown, Dere, NHC
Campbell, Willard B., M.D.
Casey, Michael, M.D., Tennessee Orthopaedic Clinics, P.C.
Chadwell, Liz, Home Health Care of West Tennessee
Cobble, Emlyn, CSO, Parkwest Medical Center
Cohen, Jay, MD, President, PRN Specialty Home Care, Inc.
Corritore, Danell, Department of Health
Cravens, Tom, Esq., Kramer Rayson
Culp, Joe, Department of Health
Davis, Mark, Tennessee Health Management
Day, Edwin W., Consultant
Dickson, Mitch, M.D.
Dillard, Alissa, Administrator, Clarksville Manor
Dutton, Jerry, Tennessee Health Management

HEALTH SERVICES AND DEVELOPMENT AGENCY

NOVEMBER 15, 2006 MEETING

- PAGE 1 -

Edsell, Danny, Covenant Health
Elrod, Dan H., Esq., Miller & Martin
Freeman, Don, RCI
Friedman, Jeff, VP of Operations, Fort Sanders Sevier Medical Center
Gibbs, Marty, RCI
Gooch, Warren, Esq., Kramer Rayson
Halsey, Laurie, Covenant Health
Hamilton, Scott, CFO, Parkwest Medical Center
Hodges, Daren, Reporter, The Mountain Press
Holloway, Craig, Architect, Earl Swensson Associates
Houchin, Barbara, St. Thomas Health System
Johnson, Phillip B., CAO, Thompson Cancer Survival Center
Lusby, Kevin, Image
Maples, Arthur, Director Strategic Analysis, Baptist Memorial Health Care
McGaha, Tommy, Board of Covenant Health
McPherson, Jeff, Clinic Director, Tennessee Orthopaedic Clinics, P.C.
Morrison, Douglas, PRN Specialty Home Care, Inc.
Morrison, Margo, RN, BSN, PRN Specialty Home Care, Inc.
Naylor, Paul, M.D., Tennessee Orthopaedic Clinics, P.C.
Parnell, Donald H., Jr., M.D.
Penny, Linda, Comptroller's Office
Piper, Johnny, former Mayor of Clarksville
Puri, Christopher, Esq., Boulton, Cummings, Conners & Berry
Ramsey, Chester, PhD, Medical Physicist, Thompson Cancer Survival Center
Richardson, Mike, VP, Planning & Business Development, Covenant Health
Skelley, Gerri, Director of Radiology, Methodist LeBonheur
Sloan, Shena, CPC International
Stein, Paul, Esq., Stein & Associates
Stephenson, Kate, Esq., Trauger & Tuke
Summit, R.D., Covenant Health
Sylvia, John, Baptist Health System, East Tennessee
Taylor, Jerry W., Esq., Farris, Mathews, Branan, Bobango, Hellen & Dunlap, PLC
Thomas, Susan Lee, Administrator/Owner, Mitchell Manor, Inc.
Thompson, Ann, Board for Licensing Health Care Facilities
Thompson, Jack, Esq., Boulton, Cummings, Conners & Berry
Trauger, Byron, Esq., Trauger & Tuke
Verble, David, President/CEO, Citizen's National Bank
Weidenhoffer, Carol, Director of Planning, Methodist Health System
West, Rita, Regional Administrator, Amedisys Home Health Care
West, William H., Esq., Baker, Donelson, Bearman, Caldwell & Berkowitz
Wilhoit, Ellen, President/CAO, Fort Sanders Medical Center

Chairman Koella called the meeting to order at 8:30 a.m. in Room 12 of the Legislative Plaza, Nashville, Tennessee.

DIRECTOR'S ANNOUNCEMENTS

Melanie Hill, Executive Director, made general announcements.

CERTIFICATE OF NEED APPLICATIONS

Mark Farber summarized the following CON applications:

Ms. Troy and Dr. Handorf recused.

LeBonheur Children's Medical Center - (Memphis, Shelby County) - Project No. CN0608-055

The acquisition of a second magnetic resonance imaging (MRI) unit with minor renovations and construction to accommodate the new equipment. The project involves 910 square feet of renovated space and 892 square feet of newly constructed space. This project does not involve inpatient beds or the initiation of any new services. Project Cost \$4,806,992.00.

Byron Trauger, Esq., representing the applicant, addressed the Agency and Gerri Skelley, Director of Radiology, spoke on behalf of the project. Carol Weidenhoffer, Director of Planning was present in support of the project,

Dr. Caldwell moved for approval of the project based on: 1) Need – The need is demonstrated by the demand of the current MRI unit; 2) Economic Feasibility – The project is economically feasible from cash reserves; and 3) The project does contribute to the orderly development of adequate and effective health care because of the importance of a child being held still, and the sedation of children being dangerous if not performed in a well controlled situation such as a hospital. Mr. Lammert seconded the motion. The motion CARRIED [7-0-0]. APPROVED

AYE: Collier, Weaver, Caldwell, Atchley, Lammert, Morris, Koella

NAY: None

Tennessee Orthopaedic Clinics, PC - (Knoxville, Knox County) - Project No. CN0608-060

The acquisition of an extremities-only magnetic resonance imaging (MRI) unit and the initiation of MRI services limited to the patients of Tennessee Orthopaedic Clinics. Project Cost \$1,032,872.00.

Warren Gooch, Esq., representing the applicant, addressed the Agency. Speaking on behalf of the project were: Earl Anderson, Executive Director, Michael Casey, M.D., Paul Naylor, M.D., and Jeff McPherson, Clinic Director. Robert Drake, Area Sales Manager, ONI Medical Systems and Edwin Day, Consultant were present in support of the project.

Dr. Handorf moved for approval of the project based on: 1) Need – The need is demonstrated by increasing utilization in this practice; 2) Economic Feasibility – The project is economically feasible with a commercial loan in place; and 3) The project does contribute to the orderly development of adequate and effective health care because of demonstrated need and a variety of patients this practice serves including TennCare patients. Mr. Atchley seconded the motion. The motion CARRIED [9-0-0]. **APPROVED**

AYE: Collier, Weaver, Handorf, Caldwell, Atchley, Lammert, Troy, Morris, Koella

NAY: None

Scott County Hospital - (Oneida, Scott County) - Project No. CN0608-063

The replacement and relocation of an existing hospital from 18797 Alberta Street, Oneida (Scott County) to not yet assigned address on Cook Avenue, Oneida (Scott County), TN. The licensed beds will decrease by 39 from 99 to 60 (which include ten (10) swing beds). Project Cost \$34,080,645.00.

DEFERRED TO THE FEBRUARY MEETING

Mitchell Manor - (Lebanon, Wilson County) - Project No. CN0608-064

The replacement and relocation of an existing nursing home from 152 S. College St to the south side of the proposed Winter Dr. near Babb Drive in Lebanon (Wilson County). This project also includes the addition of thirty (30) skilled nursing beds* to the existing forty-two (42) skilled nursing beds for a total of seventy-two (72) dually certified beds. This project is the subject of a development agreement between the owner/applicant, Mitchell Manor, Inc., and Community Progress Committee, Inc. (CPC). Pursuant to the development agreement, following completion and licensure of the facility, CPC will acquire the nursing home, and thereafter become the licensee. The new facility will be managed by Stein & Associates, LLC, d/b/a Stein & Associates of Tennessee. Project Cost \$4,632,399.50. *These beds are subject to the 125 nursing home bed pool for 2006-2007.

Jerry W. Taylor, Esq., representing the applicant, addressed the Agency. Speaking in support of the project were: Billie Barnes, Director Case Management, University Medical Center Hospital; Paul Stein, Esq., Stein & Associates; Randy Rader, CPO, Mitchell Manor; and Gordon Bone, Director, CPC. Present in support of the project were: Susan Lee Thomas, Administrator/Owner, Mitchell Manor, Inc. and Hal Bone, Director, CPC.

Ms. Troy moved for approval of the project based on: 1) Need – The replacement and relocation is needed; 2) Economic Feasibility – The project is economically feasible; and 3) The project does contribute to the orderly development of adequate and effective health care as it accepts the payer mix in an equitable way. **CONDITION: New ownership of the nursing home is to take effect upon relocation and replacement of the existing nursing home.** Dr. Collier seconded the motion. The motion FAILED [3-5-1].

AYE: Collier, Atchley, Troy

NAY: Weaver, Handorf, Caldwell, Lammert, Morris

ABSTAINED: Koella

Dr. Handorf moved for denial of the project based on: 1) Need – The need has not been established; and 2) The project does not contribute to the orderly development statewide in that there is a 125 bed pool that these beds would be taken from. We are uncertain at this time of the stability of the ownership relationships and how those interface with one another. Ms. Weaver seconded the motion. The motion CARRIED [5-3-1]. DENIED

AYE: Weaver, Handorf, Caldwell, Lammert, Morris

NAY: Collier, Atchley, Troy

ABSTAINED: Koella

Ms. Troy and Dr. Handorf recused.

PRN Specialty Home Care, Inc. - (Memphis, Shelby County) - Project No. CN0608-065

The establishment of a home care organization and the initiation of home health service limited to Shelby County. This agency will specialize in the care of cardiology, neurology, surgery, orthopedic patients and patients with complex disease diagnoses including, but not limited to chronic obstructive pulmonary disorders, complications from diabetes, and wound care. The office will be located at 5659 South Rex Road, Memphis (Shelby County), TN 38119. Project Cost \$50,400.00.

Christopher C. Puri, Esq., representing the applicant, addressed the Agency. Jay Cohen, MD, President, PRN Specialty Home Care, Inc. spoke on behalf of the project. Present in support of the project were: Douglas Morrison, PRN Specialty Home Care, Inc.; Margo Morrison, RN, BSN, PRN Specialty Home Care, Inc.; and Michael D. Brent, Esq.

Speaking in opposition were: Dan Elrod, Esq., representing Baptist Trinity Home Health Care; Nancy Averwater, Administration, Trinity-BMHC; William H. West, Esq., representing Amedisys Home Health; Byron Trauger, Esq., representing, Methodist Health Care d/b/a Methodist Home Health Care. Present in opposition were: Rita West, Regional Administrator, Amedisys Home Health Care; and Arthur Maples, Baptist Memorial Health Care.

Mr. Puri and Dr. Cohen rebutted the opposition.

Mr. Elrod summated for the opposition.

Mr. Puri summated for the applicant.

Mr. Lammert moved for denial of the project based on: 1) Need – The need has not been established; 2) Economic Feasibility – The project is not economically feasible; and 3) The project does not contribute to the orderly development of adequate and effective health care in Shelby County. There are a number of home health agencies that provide home health services in Shelby County. Dr. Caldwell seconded the motion. The motion CARRIED [6-0-1]. DENIED

AYE: Collier, Weaver, Caldwell, Atchley, Lammert, Morris,

NAY: None

ABSTAINED: Koella

Clarksville Manor Nursing Center - (Clarksville, Montgomery County) - Project No. CN0608-066

The relocation and replacement of an existing nursing home from 2134 Old Ashland Road to an unaddressed site south of Dunlap Lane, near the new Gateway Medical Center. The project also includes the addition of thirty (30) skilled nursing beds* for a total of one hundred and thirteen (113) dually certified nursing home beds. There will be no change in the types of health care services provided. Project Cost \$11,793,475.75. *These beds are subject to the 125 nursing home bed pool for 2006-2007.

Jerry W. Taylor, Esq., representing the applicant, addressed the Agency. Alissa Dillard, Administrator, spoke on behalf of the project. Johnny Piper, former Mayor of Clarksville, and Jerry Dutton, Tennessee Health Management spoke in support of the project.

Mr. Atchley moved for approval of the project based on: 1) Need – The need has been exhibited that increasing the rehab space from the small area to 7,700 square feet is going to make them much more of a skilled nursing facility; 2) Economic Feasibility – The project is economically feasible; and 3) The project does contribute to the orderly development of adequate and effective health care by adding beds and other amenities to provide care for the elderly and disabled. Dr. Caldwell seconded the motion. The motion CARRIED [8-1-0]. APPROVED

AYE: Collier, Handorf, Caldwell, Atchley, Lammert, Troy, Morris, Koella
NAY: Weaver

Parkwest Medical Center - (Knoxville, Knox County) - Project No. CN0608-057

Modification of the existing surgery department with construction of six (6) operating rooms (ORs), expanded staging capacity for pre and post surgical care, administrative and staff support areas, and equipment and supply storage accommodations. The project will increase the number of ORs from fourteen (14) rooms (12 general purpose and 2 open heart) to eighteen (18) rooms (16 general purpose and 2 open heart). The hospital will remain at 307 licensed acute care beds. Project Cost \$14,957,812.00.

Dan Elrod, Esq., representing the applicant, addressed the Agency. Dr. Willard Campbell and Barbara Blevins, Administrator spoke on behalf of the project. Present in support were: Mike Richardson, VP, Planning & Business Development, Covenant Health; Scott Hamilton, CFO; Emlyn Cobble, CSO; Craig Holloway, Architect, Earl Swensson Associates; and Mitch Dickson, M.D.

Dr. Caldwell moved for approval of the project based on: 1) Need – The need is evidenced by the increase in the procedures and the complexity of cases which admittance chart represents. The physicians are doing more of these complicated cases; 2) Economic Feasibility – The project is economically feasible by using cash reserves and they are a TennCare supplier and the hospital owns a TennCare MCO which is the largest in the area; and 3) The project does contribute to the orderly development of adequate and effective health care which is improved by the increase in number and complexity of cases that they will be able to do and the recruitment of physicians who actually do the procedures. Mr. Atchley seconded the motion. The motion CARRIED [9-0-0]. APPROVED

AYE: Collier, Weaver, Handorf, Caldwell, Atchley, Lammert, Troy, Morris, Koella
NAY: None

Mr. Atchley recused.

Fort Sanders Sevier Medical Center - (Sevierville, Sevier County) - Project No. CN0608-058

A replacement hospital to be relocated across the street from the current location at 709 Middle Creek Road to Middle Creek Road between Eastgate Road and Millwood Drive (yet not assigned address). The hospital will remain at seventy-nine (79) licensed acute care beds. Project Cost \$78,697,013.00.

Dan Elrod, Esq., representing the applicant, addressed the Agency. Ellen Wilhoit and Donald H. Parnell, Jr., M.D. spoke on behalf of the project. David Verble, President/CEO, Citizen's National Bank spoke in support of the project. Present in support were: Mike Richardson, VP, Planning & Business Development and Jeff Friedman, VP of Operations, Fort Sanders Sevier Medical Center.

Dr. Caldwell moved for approval of the project based on: 1) Need – The need is obvious from figures and the people moving to the area; 2) Economic Feasibility – The project is economically feasible with cash reserves and the land transfer; and 3) The project does contribute to the orderly development of adequate and effective health care as they provide care to 26% TennCare population and the facility is adding OB beds. The adding of new OB beds to a modern hospital which can relate to the needs of the patients definitely increases the orderly development. Dr. Handorf seconded the motion. The motion CARRIED [8-0-0]. APPROVED

AYE: Collier, Weaver, Handorf, Caldwell, Lammert, Troy, Morris, Koella

NAY: None

Mr. Atchley recused.

Thompson Cancer Survival Center - (Sevierville, Sevier County) - Project No. CN0608-059

The establishment of a single specialty ambulatory surgical treatment center (ASTC) limited to diagnostic and therapeutic radiology, chemotherapy and related services. The project will also include the initiation of megavoltage radiation therapy and mobile positron emission tomography (PET) services as well as the acquisition of linear accelerator equipment. Project Cost \$10,110,685.00.

Dan Elrod, Esq., representing the applicant, addressed the Agency. Donald H. Parnell, Jr., M.D. spoke on behalf of the project. Ruth Raines spoke in support of the project. Present in support were: Mike Richardson, VP, Planning & Business Development, Covenant Health; Chester Ramsey, PhD, Medical Physicist, Thompson Cancer Survival Center; and Phillip B. Johnson, CAO, Thompson Cancer Survival Center.

Dr. Caldwell moved for approval of the project based on: 1) Need – The need is obvious from the growth in the county. The new hospital will increase the need and the projection of 172 patients in 2010 will probably be low as people move to the area and seek care in the county; 2) Economic Feasibility – The project is economically feasible and cash reserves are available; and 3) The project does contribute to the orderly development of adequate and effective health care with the introduction of cancer care by Thompson Cancer Survival Center providing the people with excellent cancer care services locally. Adding these new services will attract oncologists to the area to take care of the patients. Dr. Handorf seconded the motion. The motion CARRIED [8-0-0]. APPROVED

AYE: Collier, Weaver, Handorf, Caldwell, Lammert, Troy, Morris, Koella

NAY: None

GENERAL COUNSEL'S REPORT

Reid Brogden summarized the following modification requests:

St. Barnabus Nursing Home - (Chattanooga, Hamilton County) - Project No. CN0308-069AME

Request for extension of the expiration date from December 30, 2006 to June 30, 2007. This project was approved at the December 17, 2003 Agency meeting for the relocation of the nursing home from 600 Pine Street to One Siskin Plaza, Chattanooga, Tennessee and for the addition of twenty-one (21) Medicare skilled beds for a total of one hundred eight (108) nursing home beds. The expiration date was February 1, 2006. On December 17, 2004, a request was presented to modify the certificate of need to increase costs from \$5,506,669.00 to \$6,842,749.00; and to extend the expiration date from February 1, 2006, until August 1, 2006, the cost increase was approved, however, the expiration date was extended to December 30, 2006.

Dan Elrod, Esq., representing the applicant, addressed the Agency and Eric Boston spoke on behalf of the request.

Mr. Koella moved for approval of the extension to December 1, 2007. Dr. Handorf seconded the motion. The motion CARRIED [9-0-0]. APPROVED

AYE: Collier, Weaver, Handorf, Caldwell, Atchley, Lammert, Troy, Morris, Koella

NAY: None

OTHER BUSINESS

- 1) **Audit Committee** – Audit Committee Meetings will be held at the end of the regularly scheduled HSDA monthly meetings. Other members will be able to attend as *ex officio* members.

Ms. Troy moved to appoint Carl Koella, Bryan Atchley, Dr. Gene Caldwell, Keith Gaither and Clark Jones to the Audit Committee. Dr. Handorf seconded the motion. The motion CARRIED [8-0-1]. APPROVED

AYE: Collier, Handorf, Caldwell, Atchley, Lammert, Troy, Morris, Koella

NAY: None

ABSTAINED: Weaver

CURRENT REPORTS

Statistical Reports

The reports were accepted into the record.

Finance, Ways and Means Committee Reports

The reports were accepted into the record.

Minutes

The minutes of the October 25, 2006 meeting were accepted. The minutes were approved by unanimous voice vote.

ADJOURNMENT

There being no further business, the meeting adjourned.

Melanie M. Hill, Executive Director

MMH/mab